

VZCZCXRO9195  
OO RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHGO #0706/01 2141137  
ZNY CCCCC ZZH  
O 021137Z AUG 07  
FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6299  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 1470  
RUEHBY/AMEMBASSY CANBERRA 0397  
RUEHKA/AMEMBASSY DHAKA 4570  
RUEHLO/AMEMBASSY LONDON 1967  
RUEHNE/AMEMBASSY NEW DELHI 3937  
RUEHUL/AMEMBASSY SEOUL 7491  
RUEHTC/AMEMBASSY THE HAGUE 0631  
RUEHKO/AMEMBASSY TOKYO 5045  
RUEHCN/AMCONSUL CHENGDU 1156  
RUDKIA/AMCONSUL CHIANG MAI 1024  
RUEHCI/AMCONSUL KOLKATA 0019  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHGV/USMISSION GENEVA 3197  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 0843  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000706

SIPDIS

SIPDIS

STATE FOR EAP/MLS; INR/EAP; OES FOR JMIOTKE AND ACOVINGTON;  
EAP FOR JYAMAMOTO; EEB FOR TSAEGER  
PACOM FOR FPA  
TREASURY FOR OASIA: SCHUN

E.O. 12958: DECL: 09/21/2016

TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [BM](#)

SUBJECT: WILL CHINA OR THE U.S. DEVELOP BURMA'S OIL AND GAS?

REF: A. A) RANGOON 645 - KEY REGIME CRONY LIKELY TO  
BUILD DEEP SEA PORT  
[B.](#) B) RANGOON 600 - SHWE GAS GOES TO CHINA MAYBE  
[C.](#) C) RANGOON 361 - MICHAEL MOE MYINT LAYS LOW AND  
PROFITS  
[D.](#) D) RANGOON 313 -BURMA'S OFFSHORE WATERS BECOME  
MORE CROWDED

RANGOON 00000706 001.2 OF 003

Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b,d)

[1.](#) (C) Summary: Well-connected businessman Moe Myint, who is heavily involved in the Burmese oil and gas sector, emphatically denies rumors that the GOB has an agreement to sell Shwe gas to the Chinese. Moe Myint claims the Korean company Daewoo has rights to develop the Shwe gas field and refuses to sell to the Chinese, instead looking to deal to the highest bidder. The Chinese, however, refuse to be shunted and are pressuring the GOB for the rights to build a deep sea port in Kyauk Pyu and a dual pipeline connecting to Yunan Province. The GOB recently opened bids for several deep sea blocks in the Bay of Bengal, looking for experienced international companies' investment. Moe Myint claims the GOB has set no timeframe for closing the bidding process, as it hopes for access to the superior deep sea drilling technology of American companies to develop the fields and, according to Moe Myint, believes that if it holds out, U.S. sanctions would be lifted when a new Administration takes power after the 2008 elections. End Summary.

Shwe Gas TyQa? Koreans Stand in the Way

-----

¶2. (C) In a meeting with Econoff on August 1, Moe Myint, aka Michael, discussed the fierce competition in Burma's oil and gas sector. The Chinese, he noted, are increasingly concerned about energy security and hope to lock up imports of natural gas from Burma as a way to decrease dependence on the Middle East. Although Secretary-1 Thein Sein allegedly told the Chinese in June that they would receive exports of Shwe gas, the GOB has not yet officially confirmed the decision (Ref B). Moe Myint affirmed that because Korean company Daewoo holds a 25-year concession to develop and produce gas from blocks A-1 and A-3, where Shwe gas is located, it must also agree to sell the natural gas to China.

Daewoo, interested in maximizing its profits, is not willing to sell the gas to China, but would rather deal with India or Thailand, which will pay a higher price per barrel.

¶3. (C) Daewoo is also actively exploring both blocks for additional gas reserves, in the hope that if more natural gas is found (at least 6 trillion cubic feet), it can build a liquefied natural gas (LNG) plant. An LNG plant would enable Daewoo to sell the gas at higher prices to a larger market. This puts the GOB in a difficult position, Moe Myint observed, as the GOB believes an LNG plant in Burmese waters would bring it higher profits. However, in order to maintain strong relations with China, the GOB would have to sell Shwe gas at a price lower than market value. Thus, he noted, "the generals are between a rock and a hard place."

¶4. (C) Desperate to obtain Shwe gas, China National Petroleum Corporation (CNPC) earlier this year inked a contract to explore deepwater blocks AD-1, AD-6 and AD-8, which cover 10,000 square kilometers and border the Shwe fields to the north, south and west (Ref D). This deal, Moe Myint said, was not completely above-board. A Thai company

RANGOON 00000706 002.2 OF 003

outbid all competitors, but the GOB refused to accept the Thai offer. Instead, the GOB immediately met with Chinese officials, offering the blocks to CNPC if the company could match the Thai terms. There was one catch, however -- CNPC cannot do a data study on the fields, but instead must start exploration once the rainy season ends. Moe Myint discerned that CNPC should start exploration this October.

Waiting for Yankee Ingenuity  
-----

¶5. (C) Although the GOB has opened bids for seven deep water blocks in the Bay of Bengal, it has yet to set a timeframe for the closing of the bidding process. Normally the GOB establishes a 3-6 month bidding cycle, reviews the applications, and negotiates the commercial terms with the two companies that submitted the best bids before making a decision. These blocks will be more difficult to explore and develop because of their depth, Moe Myint said. He believes the GOB will not close the bid until after U.S. presidential elections in 2008, in hopes that a new Administration would lift investment sanctions. The GOB wants American firms to develop these gas fields because of their superior deep sea drilling technology, Moe Myint explained. The GOB hopes that sanctions will be repealed after the elections, inundating Burma with new investment.

The Race to Build Pipelines and Ports  
-----

¶6. (C) The Chinese continue to push the GOB for permission to start building two pipelines -- one for oil and one for gas -- from the Bay of Bengal to Yunan Province. The GOB and GOC signed a memorandum of understanding in June for pipeline construction, but Moe Myint explained that "an MOU is not a contract. The Chinese need the pipelines to import Shwe Gas, and the Chinese fear that the longer construction is delayed, the more likely the GOB is to sell the gas to another bidder." If CNPC finds gas reserves in the blocks

surrounding the Shwe fields, Moe Myint explained, the GOB will grant permission for pipeline construction.

17. (C) Discussing the possibility of a deep sea port Kyauk Phyu (Ref A), Moe Myint refuted news reports that Asia World (run by crony Steven Law) has been granted the construction contract. The GOB is eager to establish the port, but is afraid that if the Chinese are involved, the GOB will lose control. Ideally, Moe Myint said, the GOB wants to attract a large international port operator, such as Hong Kong's Hutchison, to build and run the port, but large port operators are unwilling to work in Burma due to exchange rate problems, the inability to expatriate dollars, and unclear and conflicting laws.

18. (C) Moe Myint's Singapore-based company, MPRL, which has both onshore and offshore gas operations, will not bid for the port contract. He asserted, however, that if his company were to submit a bid, it would win over Asia World, because Asia World is fully supported by the Chinese and "the GOB is afraid of too much Chinese influence in the oil and gas sector."

Comment  
-----

19. (C) As the regime opens its natural resources to foreign investment, they are trying to play a careful balancing act.

RANGOON 00000706 003.2 OF 003

As much as the generals want Chinese political support -- and their UNSC veto -- they are paying a high price at home with Chinese penetration of almost every economic sector. The GOB has long used U.S. economic sanctions as the scapegoat for its inept economic management and dismal investment climate. Their hope that the 2008 elections would change the solid bipartisan support for Burma policy shows how little they understand U.S. politics. If the regime genuinely needs American technology to fully exploit its rich off-shore gas fields, then we have more leverage to push the GOB to take the necessary steps for democratic reform that could eventually lead to lifting the sanctions.  
STOLTZ